

**MASTER POWER PURCHASE AND SALE AGREEMENT  
AMENDED AND RESTATED CONFIRMATION LETTER**

This amended and restated confirmation letter shall confirm the Transaction agreed to on April 22, 2002 and effective May 1, 2002 between Calpine Energy Services, L.P. ("Party A") and State of California Department of Water Resources with respect to its responsibilities pursuant to California Water Code Section 80000 *et seq.* regarding the Department of Water Resources Electric Power Fund separate and apart from its powers and responsibilities with respect to the State Water Resources Development System ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: Calpine Energy Services, L.P.

Buyer: State of California Department of Water Resources

Product:

- Into \_\_\_\_\_, Seller's Daily Choice
- Firm (LD)
- Firm (No Force Majeure)
- System Firm  
(Specify System: \_\_\_\_\_)
- Unit Firm.  
(Specify Unit(s): See "Special Conditions" below.)
- Other  
Obligation to provide the Contract Quantity as scheduled in accordance with "Scheduling" below which shall be satisfied (a) from the Units, except that such obligation shall be excused: (i) if the Unit(s) are unavailable as a result of a Forced Outage or (ii) by an event or circumstance that affects the Unit(s) so as to prevent Seller from performing its obligations, which event or circumstance was not anticipated as of the date the Transaction was agreed to, and which is not within the reasonable control of, or the result of the negligence of, the Seller, (iii) by Buyer's failure to perform its obligations in connection with this Transaction, including without limitation failure to schedule energy or deliver fuel in accordance with the provisions of this Confirmation, or (iv) to the extent of under-deliveries resulting from physical variations in the operating levels of the generation equipment which are not caused by Seller and are beyond the reasonable control of the Seller, or (b) by delivering or offering to deliver substitute energy, but only to the extent Buyer has scheduled Contract Quantity energy hereunder and the Unit(s) are unavailable for the reasons set forth in clause (a).

Seller shall not be obligated to offer substitute energy as provided in the preceding clause (b). If Seller does not offer substitute energy as provided in the preceding clause (b), (i) such unoffered energy shall be treated as undelivered for the purposes of Special Condition (9)(a), and (ii) Special Condition (9)(b) shall not apply to such unoffered energy. If Seller offers to provide substitute energy and Buyer accepts such offer, Seller shall thereafter be obligated to schedule such substitute energy and any failure to schedule or deliver such energy shall be subject to Special Condition (9)(b) and such energy shall be treated as undelivered for the purposes of Special Condition (9)(a).

The sole remedies for failure to meet obligations hereunder shall be as set forth in Special Condition (9) or Special Condition 13.

Seller shall give Buyer notice of its intention to provide substitute energy, and Buyer shall promptly respond to Seller as to whether or not it will accept such offer of substitute energy. Buyer may, at its sole election, choose not to accept such offer of substitute energy pursuant to (b). Notwithstanding the preceding sentence, Buyer shall accept delivery of imbalance energy from the CAISO uninstructed imbalance energy market resulting from events arising after the close of the CAISO hour-ahead scheduling window. Buyer shall not be obligated to pay the Energy Price for any (i) substitute energy for which it does not accept Seller's offer, or (ii) uninstructed imbalance energy resulting from a failure to adjust a schedule or other events occurring prior to (but excluding uninstructed imbalance energy resulting from events arising after) the close of the CAISO hour-ahead scheduling window unless otherwise agreed to by the Parties in connection with the event giving rise to such imbalance energy.

Substitute energy offered by Seller shall be treated as delivered for the purpose of Special Condition (9)(a) regardless of whether Buyer accepts such offer. If Buyer does accept Seller's offer of substitute energy, Buyer shall schedule and receive the amount of such substitute energy in accordance with this Confirmation. If Buyer fails to schedule and receive the amount of such substitute energy in accordance with this Confirmation, the provisions of Special Condition (9)(b) shall apply to the substitute energy that Buyer so fails to schedule and receive.

If accepted, substitute energy shall be scheduled and delivered in accordance with the requirements of this Confirmation applicable to energy scheduled and delivered from the Units, including without limitation the provisions under "Scheduling" below and in Special Condition (6). Substitute energy delivered to Buyer in accordance with the requirements of clause (b) above is referred to as "Substitute Energy," and Substitute Energy, together with any substitute energy offered to Buyer in accordance with the requirements of clause (b) above which Buyer elects not to take in accordance with the preceding sentence is referred to as "Availability Substitute Energy".

- Transmission Contingency (If not marked, no transmission contingency)
- |  |                                 |                                |
|--|---------------------------------|--------------------------------|
| <input type="checkbox"/> FT-Contract Path Contingency  | <input type="checkbox"/> Seller | <input type="checkbox"/> Buyer |
| <input type="checkbox"/> FT-Delivery Point Contingency | <input type="checkbox"/> Seller | <input type="checkbox"/> Buyer |
| <input type="checkbox"/> Transmission Contingent       | <input type="checkbox"/> Seller | <input type="checkbox"/> Buyer |

Other transmission contingency  
(Specify: \_\_\_\_\_)

Contract Quantity:

May 1, 2002 - July 31, 2002: 450 MW

August 1, 2002 - July 31, 2011: 495 MW

(Above Contract Quantities are subject to "Special Conditions" below.)

Delivery Point: With respect to each Unit, the high side of a substation in reasonable proximity of such Unit. The Delivery Point for any Substitute Energy shall be into North Path 15 or as otherwise agreed. The Delivery Point shall be a point that connects to the transmission system managed by the California Independent System Operator ("CAISO") or any successor to the CAISO. Seller may schedule one or more different delivery points meeting the foregoing requirements on an hourly basis pursuant to CAISO protocols (or any successor protocols).

Contract Price

Energy Price:

For each month, Buyer shall pay Seller (i) the Monthly Fuel Costs as described below plus (ii) \$4.00 per MWh scheduled by Buyer and delivered during such month for variable operation and maintenance costs, as follows:

(a) If fuel is supplied under a Buyer Fuel Plan (as defined below under "Fuel Plan"), the Monthly Fuel Costs will be determined as follows:

Monthly Fuel Costs = the sum of all applicable local distribution company ("LDC") gas distribution charges, including applicable surcharges, if any, calculated in accordance with the LDC's applicable tariff with respect to Daily Fuel Quantity for each day in such month

Daily Fuel Quantity = the product of (i) all energy, including Substitute Energy, scheduled for such day, times (ii) the Guaranteed Heat Rate

Guaranteed Heat Rate = 10,500 Btu/kWh

(b) If fuel is supplied under a Seller Fuel Plan (as defined below under "Fuel Plan"), the Monthly Fuel Costs will be determined as follows:

Monthly Fuel Costs = the sum of (i) the product of (A) the Daily Fuel Price times (B) the Daily Fuel Quantity for each day of such month, plus (ii) all applicable LDC gas distribution charges including applicable surcharges, if any, calculated in accordance with the LDC's applicable tariff with respect to Daily Fuel Quantity for each day in such month

Daily Fuel Price = the daily fuel price defined in the Seller Fuel Plan

Daily Fuel Quantity = the product of (i) all energy, including Substitute Energy, scheduled for such day, times (ii) the Guaranteed Heat Rate

Guaranteed Heat Rate = 10,500 Btu/kWh

#### Fuel Plan:

Seller shall submit an interim fuel plan covering the period from the effective date of such interim fuel plan to February 28, 2003 within 15 days of the execution hereof and Buyer shall have 15 days after receipt of such proposed interim fuel plan to accept or reject such interim plan. By March 1, 2003 and by each March 1 thereafter during the term of this Transaction, Seller shall provide to Buyer a proposed Annual Fuel Plan detailing prices or pricing methodologies for the acquisition of fuel by Seller on Buyer's account for the next 12 month period beginning on the ensuing June 1 through the following May 31 (each such 12 month period being a "Contract Year"). By April 1, 2003 and by each April 1 thereafter during the term of this Transaction, Buyer shall notify Seller if Buyer accepts Seller's proposed Annual Fuel Plan (or a negotiated revision thereto). If such a plan, including an interim fuel plan, is accepted, it shall become a Seller Fuel Plan for the acquisition of fuel by Seller on Buyer's account. During the term of any Seller Fuel Plan, Buyer shall not be responsible for any fuel imbalance charges or any other charges other than those resulting from any system wide or customer specific Operational Flow Order ("OFO") or Emergency Flow Order ("EFO") conditions. Seller will attempt to mitigate any charges, if any, associated with system wide or customer specific Operational Flow Order or Emergency Flow Order conditions; provided, that such mitigation shall be at no cost to Seller. Other than as set forth in the preceding sentence or elsewhere in this Confirmation, Seller shall be solely responsible for any fuel imbalance charges assessed by such LDC during the term of a Seller Fuel Plan. If no Seller Fuel Plan is accepted, Buyer shall acquire fuel on its own account pursuant to a Buyer Fuel Plan. In that event, Buyer shall be solely responsible for gas supply (including all imbalances), gas must be delivered to Seller at the PG&E Citygate or other mutually agreed upon point, Buyer shall be solely responsible for any LDC charges (including all surcharges, if any, and all imbalance charges) and all charges relating to system wide or customer specific OFOs or EFOs incurred to deliver that gas to the Units, and Seller shall have no obligations to deliver gas or to deliver energy where Buyer fails to deliver the required gas. Notwithstanding the foregoing, any fuel imbalance charges assessed by the LDC resulting under either a Seller Fuel Plan or a Buyer Fuel Plan as a result of actions or omissions of Seller or Buyer shall be borne by the party to which the fuel imbalances are attributable. Fuel imbalance charges resulting from Force Majeure in respect of the Units shall be borne equally by Buyer and Seller. Seller shall be solely responsible to acquire and pay for any and all gas used to generate energy other than Buyer's scheduled energy (including all surcharges, if any, all imbalance charges and all charges relating to system wide or customer specific OFOs or EFOs). Buyer shall not be required to pay any fees or charges which are not specifically set forth in the Seller Fuel Plan. When Buyer supplies gas to the Units it shall have a pro rata share (calculated on the basis of the total hours scheduled by Buyer in a period as compared to the total hours in such period) of the daily and monthly rights, benefits and obligations that would be available to it as if it were acting as fuel manager, including nominations, balancing rights and imbalance charges assessed within the applicable period under the then-effective applicable LDC tariff or month end imbalance tolerances permitted by such tariff, and fees for services. In exercising such rights, Buyer shall follow customary practices and procedures with respect to nominations, balancing rights and imbalance charges and tolerances as provided in the applicable LDC tariff. If Buyer exceeds its pro

prorata share of the permitted limits and tolerances under the applicable LDC tariff and fails to promptly bring its activities within such limits and tolerances, Seller shall have the right within one day after notice to make corresponding adjustments to its nominations, volumes and monthly imbalances or, if in effect, daily imbalances, to bring Buyer's activities within the prorata limits and tolerances in the applicable LDC tariff, and if Buyer is deficient (short) gas, Buyer shall promptly pay Seller Platt's Gas Daily PG&E Citygate Common high, or successor index, for the amount of such imbalance gas and if Buyer is excess (long) gas, Seller shall promptly pay Buyer the Platt's Gas Daily PG&E Citygate Common low, or successor index, for such imbalance gas.

Other Charges: The capacity payments payable in the amounts and at the times as follows (such payments to be prorated within a calendar month):

**For the Period May 1, 2002 to July 31, 2002**

A monthly capacity payment payable on the first day of each month equal to the product of \$15,151.52 times the Aggregate Capacity of the Units which have achieved commercial operation as of the first day of such month and the capacity (in MW) of substitute Units designated by Seller pursuant to Special Condition (3)(a) prior to the first day of such month.

**For the Period August 1, 2002 to July 31, 2003**

(a) A capacity payment payable August 1, 2002 equal to the sum of (1) and (2) below calculated as follows:

(1) For the period from August 1, 2002 to December 31, 2002, \$75,757.57 times the Aggregate Capacity as of August 1, 2002 and the capacity that Seller has designated by no later than July 15, 2002 as substitute Units pursuant to Special Condition (3)(a) for Units that have not achieved or will not achieve commercial operation by August 1, 2002; and

(2) For the period from January 1, 2003 to July 31, 2003, \$106,060.61 times the Aggregate Capacity of the Units which have achieved commercial operation by August 1, 2002; and

(b) A capacity payment payable on the first day of each month from January 1, 2003 through June 1, 2003 (or if a Unit comes on line during any month, a prorata portion of such capacity payment payable three Business Days after the COD for such Unit) with respect to the Units which had achieved commercial operation in the period after August 1, 2002 and before June 1, 2003, equal to the product of \$15,151.52 times the Aggregate Capacity of such Units; and

(c) A capacity payment payable on July 1, 2003 (and if a Unit comes on line during the month of June or July, a prorata portion of such capacity payment for such partial month payable three Business Days after the COD for such Unit) (i) with respect to the Units which had achieved commercial operation in the period after August 1, 2002 and before June 1 2003, equal to the product of \$15,151.52 times the Aggregate Capacity of such Units, plus (ii) with respect to Units that achieved commercial operation in the period from June 1, 2003 through June 30, 2003, equal to the product of \$10,000 times the Aggregate Capacity of such Units, plus (iii) with respect to Units that achieved

commercial operation in the period from July 1, 2003 to July 31, 2003 a prorata payment for July equal to the prorata portion of the product of \$10,000 times the Aggregate Capacity of such the Units.

**For the Period August 1, 2003 to July 31, 2006**

(a) A capacity payment payable on August 1, 2003 equal to the sum of (i) the product of Aggregate Capacity of the Units that achieved commercial operation prior to June 1, 2003 times \$181,818.18, and (ii) the product of Aggregate Capacity of the Units that achieved commercial operation on and after June 1, 2003 but on or prior to July 31, 2003 times \$120,000;

(b) A capacity payment payable on the first day of each month from September 1, 2003 through December 31, 2003 (or if a Unit comes on line during any month, a prorata portion of such capacity payment payable three Business Days after the COD for such Unit) with respect to the Units that achieved commercial operation in the period after August 1, 2003 and on or before December 31, 2003, equal to the product of \$10,000 times the Aggregate Capacity of such Units;

(c) A capacity payment payable on January 1, 2004 for the period from January 1, 2004 through July 31, 2004 equal to the Aggregate Capacity as of January 1, 2004 of the Units that achieved commercial operation between August 1, 2003 and December 31, 2003, equal to the product of \$70,000 times the Aggregate Capacity of such Units; and

(d) A capacity payment payable on August 1, 2004 and August 1, 2005 equal to the sum of (i) the product of Aggregate Capacity of the Units that achieved commercial operation prior to June 1, 2003 times \$181,818.18, and (ii) the product of Aggregate Capacity of the Units that achieved commercial operation on and after June 1, 2003 but on or prior to December 31, 2003 times \$120,000.

**For the Period August 1, 2006 to July 31, 2011**

A capacity payment payable each August 1 of the Delivery Period after August 1, 2005 equal to the sum of (a) the product of Aggregate Capacity of the Units that achieved commercial operation prior to June 1, 2003 times \$161,616.16, and (b) the product of Aggregate Capacity of the Units that achieved commercial operation on and after June 1, 2003 but on or prior to December 31, 2003 times \$120,000.

"Aggregate Capacity" shall mean the aggregate capacity as of any specified date or during any specified period of the Units in MWs determined pursuant to Special Condition (10) and Special Condition (12) for those Units that have achieved commercial operation as of such specified date or during such specified period; provided, however, that as of any specified date from and after January 1, 2003, the Aggregate Capacity allocable to Units achieving commercial operation prior to June 1, 2003 shall not be more than the product of 45MW times the number of Units which have achieved commercial operation by such date prior to June 1, 2003 and the Aggregate Capacity allocable to Units achieving commercial operation from and after June 1, 2003 shall not be more than the product of 45MW times the number of Units which have achieved commercial operation by such date from and after June 1, 2003 to and including December 31, 2003.

For the purposes of the foregoing the capacity of the Units shall be determined in accordance with Special Condition (10) and Special Condition (12).

Delivery Period: May 1, 2002 - July 31, 2011

Special Conditions: (1) See Cover Sheet to Master Agreement.

(2) To resolve any and all disputes between them concerning rights to substitute capacity under the prior Confirmation Letter for this Product (dated February 27, 2001), now superseded by this Confirmation, Buyer agrees to pay a one-time capacity payment of \$15,102,807.86 for the period from December 1, 2001 through April 30, 2002 within three days after the effective date of this Confirmation. Buyer's payment is for the resolution of claims that are doubtful or are in dispute, and is not in any way, implicitly or explicitly, an admission concerning Buyer's or Seller's rights under the prior Confirmation Letter. Seller's acceptance of this payment constitutes a full and final release by Seller, its parents, subsidiaries, divisions, affiliates or associates and anyone who may claim through any of them (including their former and present officers, directors, employees, shareholders or any of their assigns) of DWR and its successors and assigns, from any and all claims that Seller had, has, or ever shall have, whether known or unknown, asserted or unasserted, suspected or unsuspected, contingent or non-contingent, liquidated or unliquidated, based on, arising out of, or relating in any way to the prior Confirmation Letter.

(3) Seller will supply energy to be delivered under this Transaction from one or more generation assets (each a "Unit," collectively, and together with the replacement generation assets designated as provided below, the "Units") located within NP 15, including at one or more of the following sites: King City, Gilroy, Feather River, Lambie, Creed, Goosehaven, Pajaro Valley, Wolfskill and Yuba City; provided, however, that (a) if any Unit will be located at a site other than said specified sites, Seller shall first consult with Buyer as to such location, and (b) all interconnections, the capacity rating of the interconnection facilities, the interconnection agreement, and transmission connection are sufficient for the delivery of the full output of the Unit at such site to the CAISO-controlled grid. Seller may elect which Unit or Units are to be operated from time to time to supply energy hereunder; provided, however, Buyer may direct that Units in a constraint zone be operated to supply energy hereunder to the extent necessary to assure reliability and to prevent any system instability in such zone. Each Unit will have a nominal capacity of 45 MW, and a total of 11 LM 6000 Units will be designated as provided herein. Not less than 15 days before the date of increase in Contract Quantity described above, Seller will designate the Unit or Units that will supply the Contract Quantities required to be delivered by such dates. Seller may (a) with respect to any Unit which has not achieved commercial operation, without the approval of the Buyer, designate one or more alternative generating

facilities (which need not be LM 6000s) from which energy will be delivered hereunder during the period commencing May 1, 2002 and ending December 31, 2002, so long as such alternate generating facilities deliver energy into North Path 15 or (b) with respect to any Units which have achieved commercial operation hereunder, with the approval of Buyer, which approval may not be unreasonably withheld, from and after January 1, 2003, designate replacement Unit(s) from time to time upon not less than 15 days notice to Buyer but in no case may Seller designate replacement Unit(s) under this clause (b) unless (i) Seller has designated sufficient Unit(s) to supply the then required Contract Quantity and (ii) the replacement Unit(s) deliver energy into the same zone (i.e. North Path 15) as the original Unit(s).

(4) Subject to Seller's rights under clause (a) of the fifth sentence of Special Condition (3), the Parties' obligations hereunder with respect to the energy to be supplied from any Unit are also subject to and contingent on such Unit having achieved "commercial operation" before Seller is obligated to supply energy from such Unit. As used herein, "commercial operation" of a Unit means that such Unit has been completed, has passed all material performance tests pursuant to Special Condition (10), Seller or the owner of the Unit has all necessary permits to operate the Unit at the output level for which it was designed not less than 40 MW, the Unit is capable of operating on a sustained basis at substantially the output level for which it was designed, and all interconnections, the capacity rating of the interconnection facilities, the interconnection agreement, and transmission connection are sufficient for the delivery of the full output of the Unit to the CAISO-controlled grid. Commercial operation shall not occur until Seller provides written certifications, including a written report of test performance results, signed by a duly authorized officer, to Buyer that the requirements for commercial operation have been achieved and Buyer concurs in writing with such certification. Buyer shall have twenty (20) business days within which to respond to Seller's certification of commercial operation and failure to respond within such period shall be deemed an acceptance of Seller's certification. If Buyer concurs that commercial operation has occurred or fails to respond within twenty (20) business days as provided in the preceding sentence or if such commercial operation is disputed and such dispute is resolved in favor of the Seller, the date of commercial operation shall be the date Seller provides such written certifications that the requirements for commercial operation have been achieved. Seller agrees to use commercially reasonable efforts (considering among other things the availability, receipt and cost of necessary permits and regulatory approvals, third party services and consents, real estate rights and similar matters and regulatory changes) to cause the designated Unit(s) to achieve commercial operation on or before the date(s) that power is to be supplied by such Unit(s) hereunder, but Seller shall not otherwise be liable to Buyer or be obligated to provide the quantity of energy to be provided from such Unit(s) unless and until

commercial operation is achieved for such Unit(s), and the Contract Quantities described above shall be appropriately reduced until such Unit(s) achieve commercial operation. Seller represents and Buyer agrees that the following Units have achieved commercial operation: Gilroy 1, Gilroy 2, Gilroy 3, and King City. With respect to the remaining Units, to the extent the Seller does not achieve commercial operation of such Units by December 31, 2002, any substitution made for any such Unit pursuant to clause (a) of Special Condition (3) shall terminate. To the extent the Seller does not achieve commercial operation of any such Unit by December 31, 2003, the Contract Quantity shall be reduced by the amount of MW allocable to such Units.

From time to time (but not more frequently than monthly) at Buyer's request, Seller shall provide information to Buyer regarding the status of construction activities and the then expected commercial operation dates of the Units. Such information shall include status of accomplishing major development and construction milestones including obtaining all permits, securing project financing, acquisition and installation of major equipment, and start-up testing. Buyer may inspect the Units, the Unit construction site or on-site Seller data and information pertaining to the Units reasonably necessary to verify the information provided pursuant to this Special Condition (4) during business hours upon reasonable notice. Seller will not materially decrease the nameplate capacity below that which is referenced in the applicable permit or change the design of the units in a manner that materially impairs Seller's obligations or materially alters Buyer's rights or obligations hereunder without the written approval of Buyer, not to be unreasonably withheld.

(5) Seller agrees that it will operate and maintain the Units in accordance with Prudent Industry Practices.

(6) Seller shall only be required to deliver the energy described in this Transaction if Buyer schedules energy from the Units as provided herein. Subject to the terms and conditions set forth herein, Buyer may schedule such energy only for hours within the Peak Period (as hereinafter defined) and only up to (i) through December 31, 2002, the then applicable Contract Quantity (including the capacity of any substitute Units designated by Seller as provided in clause (a) of the fifth sentence of Special Condition (3)), and (ii) from and after January 1, 2003, the lesser of (a) the then applicable Contract Quantity (i.e. the sum of the tested capacities of all Units that have achieved commercial operation, subject to the limitations set forth in this Confirmation) and (b) the number of Units that have at that time achieved commercial operation multiplied by 45 MW; provided, however, that the quantity of energy which is scheduled must be an amount which will permit all Units required to supply such amount to operate between 80% and 100% of capacity (e.g. between 36

MW and 45 MW assuming a 45 MW plant). As used herein, "Peak Period" means the hours from the hour ending 0700 through the hour ending 2200, Pacific time, Monday through Saturday (excluding NERC holidays), during the months of June, July, August, September, October, December and January during the Delivery Period; provided, however, that in addition to the months of June, July, August, September, October, December and January, the Peak Period in calendar years 2002 and 2003 shall include the month of November. Each Peak Period will begin on June 1 of a given calendar year and end on January 31 of the following calendar year.

(7) Subject to the limitations set forth in Special Condition (11), in the event that the output of a designated Unit is partially reduced or curtailed as provided in the definition of the Product, including Forced Outage or Force Majeure, Seller shall be entitled to reduce energy deliveries to Buyer from such Unit to the extent of such reduction or curtailment without penalty or cost except as may result under Special Condition (9).

(8) The meter for the Units shall be on the high side of the Unit transformer. Any generation meter multiplier (GMM) adjustments shall be for Buyer's account (i.e. notwithstanding any required GMM adjustments, Seller shall be deemed to have delivered the full metered amount of energy from each Unit). Metering shall conform to CAISO standards or the equivalent. Seller shall provide CAISO metering settlement data to Buyer on a monthly basis, and, at Buyer's option and expense, real-time access to meter data via appropriate telemetering equipment.

(9) (a) After the end of each month, the capacity payment paid or payable with respect to that month shall be adjusted (by Buyer making an additional payment or Seller paying a rebate which may be offset by Buyer against any other payments due Seller hereunder) to equal the Adjusted Capacity Payment ("ACP").

Where:

$ACP = [1 + (EA - \text{Target } EA) \times \text{prorated capacity payment attributable to such month}]$

$EA = \frac{\text{Summation of Hourly Availability Factors for Non-Force Majeure Peak Hours}}{\text{Number of Non-Force Majeure Peak Hours in month}}$

Hourly Availability Factor is determined for each Peak Hour that is not excused by Force Majeure as follows (such quotients not to exceed 1.0):

- i) For hours in which Buyer has scheduled energy, the quotient of (1) energy actually or deemed delivered (in accordance with this

Confirmation) by Seller to Buyer from the Unit(s) plus, any Availability Substitute Energy, and, if a Buyer Fuel Plan is in effect, any scheduled energy that was undeliverable solely due to the non-delivery of gas, divided by (2) total energy scheduled in accordance with this Confirmation less any scheduled energy that is unavailable during any ramp up of a Unit in accordance with Scheduling below;

- ii) For hours in which Buyer has not scheduled energy, the quotient of 1) the then applicable Contract Quantity that was actually schedulable for delivery from the Units or which Seller has committed as Availability Substitute Energy, divided by 2) the then applicable Contract Quantity. The energy generated by any Unit (at capacity of such Units determined pursuant to, and not in excess of the limitations of, Special Condition (10)) pursuant to a must offer bid made by Seller into the CAISO supplemental energy market and accepted by CAISO shall be treated as schedulable for the purposes of this clause (ii) for the period of such bid.

Target EA = .98 for the Summer Season or .92 for the Winter Season.

The Summer Season is the Peak Period of the months June through October. The Winter Season is the Peak Period of the months December and January and in calendar years 2002 and 2003, November. Peak Hours are any hours in the Peak Period.

For the purposes of (i)(1), Availability Substitute Energy shall include uninstructed imbalance energy described in clauses (ii), (iv) and (v) of Special Condition (13)(b) and any underdeliveries resulting from instructed deviations directed by CAISO but shall specifically exclude uninstructed imbalance energy described in clauses (i) and (iii) of Special Condition (13)(b) and all other uninstructed imbalance energy not permitted under Special Condition (13)(b).

Seller shall notify Buyer each day of the Peak Period prior to the CAISO day-ahead notification deadline of the then applicable Contract Quantity that is schedulable for each hour of the next day from the Units or which Seller would commit as Availability Substitute Energy for each hour of the next day.

(b) In addition, the provisions of Article IV of the Master Agreement shall apply to any unexcused failure of the (1) Seller to (i) schedule or deliver the Product described in clause (a) of "Other" or (ii) schedule or deliver the Product described in clause (b) of "Other" after Buyer has accepted Seller's offer to provide Substitute Energy as provided in this Confirmation, or (2) any unexcused failure of the Buyer to receive Substitute Energy.

(c) In addition to any adjustment to ACP under (a) of this Special Condition (9), the ACP for any month shall be reduced in accordance with the following formula provided that such reduction shall not reduce the ACP below zero:

Amount of Reduction of ACP = capacity payment allocable to such month  
x [(Warning/Stage Alert Hours x 4) / 286]

Warning/Stage Alert Hours = sum of Hourly Factors for hours during which Seller fails to provide any or all Contract Quantity from the Units as scheduled by Buyer in accordance with this Confirmation when the Unit(s) are available for such hours and a day-ahead CAISO warning of a potential stage alert has been issued or any stage alert is in effect for such hours. Hourly Factors shall be the ratio, in any such hour, of: (a) energy scheduled by Buyer in accordance with this Confirmation that was not delivered or deemed delivered from the Units (and for which delivery was not excused hereunder), to (b) energy scheduled by Buyer in accordance with this Confirmation.

(10) The MWs allocable to each Unit (at no more than 50 MW per Unit) for purposes of determining the Aggregate Capacity and adjusting the Contract Quantity will be established by testing and adjustment as follows: Not less than five days prior to the scheduled commercial operation date of a Unit, and thereafter during the period beginning March 1 and ending May 31 in each Contract Year, unless otherwise agreed, Seller will conduct a four hour performance test of each Unit during operations using installed instrumentation, calibrated by Seller (except the Electric Metering Equipment which will be calibrated in accordance with CAISO Requirements) to determine the maximum MW output of each Unit as measured at the Delivery Point for such Unit. Tests shall be conducted pursuant to ASME Performance Test Code 22. In addition, each of Buyer and Seller may request up to two additional tests per year (at any time) utilizing the same four hour test procedures. After each test, Seller will use performance curves certified by the original equipment manufacturer/architect engineer/vendor to adjust the test results to ISO Conditions. The ISO Condition-adjusted test results will be the MWs allocable to the Unit (at no more than 50 MW per Unit), effective on the first day of the month following the month in which Buyer receives written notice of the test results or as of the commercial operation date, as the case may be. Seller will provide forty-eight (48) hours notice to Buyer prior to each test, and provide Buyer with a written report of the test results and subsequent adjustment to the Contract Quantity within the later of five (5) Business Days of each test or as soon as practicable. Buyer is entitled to witness any test of a Unit. Buyer may request third party calibration of instrumentation used in any test, and in the event that a deviation equal to or more than 2% is found, Seller shall bear the cost of such calibration, and if the instrumentation is within 2% deviation then Buyer shall bear such cost.

(11) Notwithstanding anything to the contrary herein, Seller shall arrange and be responsible for transmission service to the Delivery Point, if any, and shall obtain Schedule Coordinator services necessary to deliver the Product to the Delivery Point. Seller shall be responsible for all charges due to the CAISO and entitled to receive all payments from the CAISO, related to schedule deviations; provided, however, if a schedule change is directed by Buyer, Buyer shall be responsible for all charges due to the CAISO, and entitled to receive all payments from the CAISO, related to such schedule deviations.

(12) Seller shall, at its expense, acquire and maintain in effect, from any and all government agencies with jurisdiction over Seller and/or the construction or operation of the Units, all required governmental approvals, in each case necessary at that time (i) for the construction of the Units in accordance with this Agreement; and (ii) for the operation of the Units to produce the Contract Quantity. Seller shall cause the Units to be operated in compliance with the Units' governmental approvals. Failure of Seller to comply with the provisions of this Special Condition (12) shall not be an Event of Default. Buyer's sole remedy for any failure of Seller to comply with the provisions of this Special Condition (12), shall be to reduce the Contract Quantity by the amount of MW allocable to such Units that are or become subject to any curtailment, reduction or restriction as the result of a failure of Seller to comply with this Special Condition (12). Buyer shall not direct more than four (4) starts per Unit per day. A start shall be any Buyer schedule change from zero to greater than zero. Failure of Buyer to comply with the provisions of this Special Condition (12) shall not be an Event of Default. Seller's sole remedy for any failure of Buyer to comply with the provisions of this Special Condition (12) shall be to refuse a direction to start that violates this Special Condition (12).

(13) (a) Copies of all day-ahead and hour-ahead schedules with respect to Substitute Energy market purchases with scheduling coordinators other than Seller shall be delivered by Seller to Buyer by the end of the next day (redacted to remove confidential information, but in all events showing dates, times and volumes). Upon request of Buyer, Seller will provide Buyer with sufficient information to enable Buyer to determine whether Seller's scheduling coordinators are effecting delivery of scheduled Contract Quantity market energy purchases through the CAISO imbalance energy markets. Seller authorizes Buyer to obtain such information from CAISO as may be necessary to determine compliance with the provisions hereof or to determine whether Seller's scheduling coordinators are effecting delivery of scheduled Contract Quantity market energy purchases through the CAISO imbalance energy markets and Seller hereby waives its right to object to CAISO providing such information to

Buyer; provided, however, that Buyer shall only use such information for the purposes of monitoring Seller's compliance with the provisions hereof. Parties elect to make Section 10.11 of the Master Agreement applicable to such information.

(b) Seller will not use the CAISO uninstructed imbalance energy markets to deliver the Contract Quantity except with respect to any (i) under-deliveries resulting from a Unit Forced Outage or an event or circumstance that affects the Unit(s) so as to prevent Seller from performing its obligations, which event or circumstance was not anticipated as of the date the Transaction was agreed to, and which is not within the reasonable control of, or the result of the negligence of, the Seller, (ii) deliveries of amounts scheduled by Buyer in accordance with this Transaction if the notice given by Buyer is less than the minimum notice required by the CAISO to schedule deliveries of energy under the applicable CAISO tariff and rules, (iii) subject to the provisions of subsection (c) and in addition to under-deliveries resulting from an event described in (b)(i), under-deliveries resulting from variations of 3% or less between the amount of energy scheduled and the amount of energy delivered on a monthly basis due to physical variations in the operating levels of the generation equipment which are not caused by Seller or are beyond the reasonable control of the Seller, (iv) failure of a scheduling coordinator other than Seller to deliver Substitute Energy hereunder, and (v) any under-deliveries resulting from instructed deviations directed by Buyer. In connection with generation from the Units, Seller shall not willfully submit infeasible schedules so as to create phantom congestion and then submit decremental bids in connection therewith. Seller shall not submit any negative decremental bids with respect to the Contract Quantity to CAISO unless mutually agreed or claim unavailability of the Units based on Forced Outage or Force Majeure when in fact none exists.

(c) Seller shall cooperate with Buyer and provide Buyer such information relating to the operation of the Units as may reasonably be necessary to determine compliance with the provisions of subsection (b) and this subsection (c). Seller shall (i) notify Buyer prior to the CAISO day-ahead notification deadline for each day in which a Peak Hour occurs of the capacity expected to be available from the Units, (ii) on a day-ahead basis, schedule any energy as requested by Buyer in accordance with this Confirmation from such Units on the basis of such estimate, (iii) adjust such schedules to reflect any update to the expected capacity of such Units prior to the close of the CAISO hour-ahead scheduling window for such hour, and (iv) submit a schedule change as soon as possible upon the occurrence of any under-deliveries. To the extent Seller has complied with the provisions of the second sentence of this subsection (c), Seller may, in determining the underdelivery percentage for any hour in any month for the purposes of subsection (b)(iii), take into account the output from any

Generation Assets in such hour after the close of CAISO hour-ahead scheduling deadline for such hour. For the purpose of this subsection (c), "Generation Assets" shall mean generating assets or portions thereof located in California and owned or controlled by Seller or its Affiliates which are direct or indirect wholly-owned subsidiaries of Calpine Corporation which are not under contract as "qualifying facilities" (within the meaning of the Public Utility Regulatory Policies Act). An asset or portion thereof is controlled by Seller or an Affiliate for the purposes of this definition to the extent that Seller or Affiliate has the ability to direct the use of such asset or portion or output thereof pursuant to an agreement.

(d) In the event that the underdelivery percentage in a month under clause (iii) of Special Condition (13)(b), as calculated below, exceeds 3%, the following remedies shall apply:

The total of ACP payable for a month with respect to the Units scheduled by Buyer during that month shall be reduced as follows:

When the underdelivery percentage for the month is greater than 3.0% and less than or equal to 5.0%, such reduction shall be equal to the underdelivery percentage times the amount of capacity payments allocable to the month;

When the underdelivery percentage is greater than 5.0%, such reduction shall be equal to four times the underdelivery percentage, times the amount of capacity payments allocable to the month; provided that such reduction shall not reduce the ACP below zero.

Where:

Underdelivery percentage for a month equals  $1 - (\text{Monthly Delivered Energy} / \text{Monthly Scheduled Energy})$ ;

Monthly Delivered Energy is the MWh delivered pursuant to Buyer's schedules during the month, including imbalance energy described in clauses (i), (ii), (iv) and (v) of Special Condition (13)(b) plus any underdeliveries resulting from instructed deviations directed by CAISO, but excluding any other uninstructed imbalance energy;

Monthly Scheduled Energy is the MWh scheduled by Buyer during the month in accordance with this Confirmation.

(e) In the event of any violation of subsection (b) of this Special Condition (13) other than as provided in (d) and (f), in the event there is any uninstructed imbalance energy in a month not described in clauses (i), (ii), (iii), (iv) or (v) of Special Condition (13)(b)(without regard to the 3% limit in clause (iii)), the ACP payable for the month with respect to the Units scheduled by Buyer in that month shall be reduced by an amount equal to:

(i) when the underdelivery percentage for the month applicable to such uninstructed imbalance energy is less than or equal to 5.0%, the underdelivery percentage times the amount of capacity payments allocable to the month, or (ii) when the underdelivery percentage for the month applicable to such uninstructed imbalance energy is greater than 5.0%, four times the underdelivery percentage, times the amount of capacity payments allocable to the month; provided that such reduction shall not reduce the ACP below zero; provided, further, that for the purpose of this paragraph, Monthly Delivered Energy shall equal the MWh delivered pursuant to Buyer's schedules during the month, including uninstructed imbalance energy described in clauses (i), (ii), (iii), (iv) and (v) of Special Condition (13)(b)(without regard to the 3% limit in clause (iii)) plus under deliveries resulting from instructed deviations directed by CAISO but excluding any other uninstructed imbalance energy.

(f) In the event of any willful violation of subsection (b) of this Special Condition (13), in the event there is any uninstructed imbalance energy in a month not described in clauses (i), (ii), (iii), (iv) or (v) of Special Condition (13)(b)(without regard to the 3% limit in clause (iii)), the ACP payable for the month with respect to the Units scheduled by Buyer in that month shall be reduced by an amount equal to (1) four times the under delivery percentage applicable to such uninstructed imbalance energy for the first violation, and five times the under delivery percentage applicable to such uninstructed imbalance energy for the second violation, multiplied by (2) the amount of capacity payments allocable to the month in which such willful violation occurred; provided that such reduction shall not reduce the ACP below zero; provided, further, that for the purpose of this paragraph, Monthly Delivered Energy shall equal the MWh delivered pursuant to Buyer's schedules during the month, including uninstructed imbalance energy described in clauses (i), (ii), (iii), (iv) and (v) of Special Condition (13)(b)(without regard to the 3% limit in clause (iii)) plus under deliveries resulting from instructed deviations directed by CAISO but excluding any other uninstructed imbalance energy. Buyer shall promptly notify Seller in writing of any event subject to this subsection (f).

(g) A third willful violation of subsection (b) of this Special Condition (13) shall be an Event of Default that cannot be cured.

(h) Buyer may elect to take any capacity payment reduction as a rebate or as an offset to other amounts payable to Seller.

(i) The Parties agree that Buyer's actual damages in the event Seller fails to schedule or deliver Product in accordance with the terms of this Confirmation or comply with the provisions of Special Condition (13)(b) would be extremely difficult or impracticable to determine and that, after negotiation, the Parties have agreed that the liquidated amounts set forth in Special Conditions (9) and (13) are a reasonable estimate of the damages that Buyer would incur as a result of such failures.

Scheduling: Conforming to CAISO and WSCC standards. Subject to the other terms and conditions of this Transaction, Buyer shall be entitled to schedule up to 2000 Scheduled Hours (as hereinafter defined) during each Peak Period during the Delivery Period. Buyer's right to schedule energy during a Peak Period may not be carried forward or backward between Peak Periods (i.e. Scheduled Hours which are not scheduled in one Peak Period may not be carried forward into the next Peak Period, and Buyer may not schedule Scheduled Hours in excess of the foregoing quantities in a Peak Period by "borrowing" them from future Peak Periods). Subject to the next succeeding sentence, Buyer shall have full day-ahead and intraday scheduling rights. All energy scheduled from a Unit must be scheduled in minimum 2 hour flat blocks. All energy not scheduled through the CAISO day-ahead or hour-ahead scheduling process shall be scheduled on the basis of the greater of (a) a 30-minute ahead basis, and (b) the operational limitations of a Unit. In the event Buyer submits a schedule for any hour hereunder and the Unit(s) are or will be operating to deliver energy to the CAISO supplemental energy market during such hour, such energy shall be deemed (a) delivered hereunder for the purposes of Special Condition (9) and Special Condition (13), (b) a Scheduled Hour under "Scheduling," (c) not to result in a start for purposes of Special Condition (12), and Seller shall pay to Buyer the positive difference, if any, between the market clearing price of CAISO supplemental energy for such delivery and the average Energy Price under this Confirmation for the day in which such hour occurs under this Confirmation.

As used herein, "Scheduled Hour" means each hour for which energy is scheduled to be delivered hereunder, whether the energy is supplied from one or more of the designated Units or from Substitute Energy.

Option Buyer: N/A

Option Seller: N/A

Type of Option: N/A

Strike Price: N/A

Premium: N/A

Exercise Period: N/A

[The next page is the signature page.]

This amended and restated confirmation letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement and the Amended and Restated Cover Sheet dated April 22, 2002 (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. This amended and restated confirmation letter supersedes the Confirmation Letter (Peaking Capacity) dated February 27, 2001 effective as of May 1, 2002. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

Calpine Energy Services, L.P.

State of California Department of Water Resources  
separate and apart from its powers and  
responsibilities with respect to the State  
Water Resources Development System

By: \_\_\_\_\_

Name: E. James Macias

Title: Executive Vice President

Phone No: (408) 792-1124

Fax: (408) 995-0505

By: \_\_\_\_\_

Name: Thomas M. Hannigan

Title: Director

Phone No: (916) 653-7007

Fax: (916) 653-0943